

# **Philip Loney comments on today's progress report from the Office of Fair Trading on their study of the defined contribution workplace pension market**

**Royal London**

**11 July 2013**

**Philip Loney, Chief Executive of the Royal London Group, owner of Scottish Life, comments on today's progress report from the Office of Fair Trading on their study of the defined contribution workplace pension market:**

“Today's progress report from the Office of Fair Trading is encouraging as it identifies many issues which we feel have been a cause for concern for quite some time. We are concerned that the post auto-enrolment market for workplace pensions will be insufficiently competitive to produce the best possible outcomes for scheme members.

“In particular, the existence of two-tier charging structures, also known as active member discounts. These structures present a real issue for consumers as we see people being drastically penalised when they leave workplace pensions schemes.

“Also, we welcome the commitment from OFT to review current levels of embedded commission in schemes; excessive commission prevents schemes from delivering their full potential benefit to the members.

“Automatic enrolment means many employers will be offering schemes for the first time and being compelled to do so. It is important that employers act in the best interests of members when selecting a scheme. We are proposing an amendment to the current Pensions Bill to ensure employers act in members' best interests.

“Our only concern would be that the progress report seems to omit any mention of the important role advisors play in reviewing and maintaining arrangements in order to maximise the benefits available to the customer.

“The recent decision to remove consultancy charging means there is a real risk of significant “advice gaps” in the market for workplace pensions. We are putting forward a further amendment to the Pensions Bill which would require FCA to undertake a review of the advisory regime with a view of extending it to advice given to employers on workplace pensions. It is essential in the post auto enrolment market that advisers can earn an income from promoting scheme switches which

benefit scheme members by giving them access to lower charges or better investment performance

“We want to see vibrant and efficient market for workplace pensions; a market where advisers are able to exert strong buying power and where the barriers to switching schemes have been removed. An efficient market is essential to deliver good member outcomes and we look forward to working with the OFT as they take this market study forward.”

-ENDS-

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**Editor's Notes:**

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- Scottish Life – UK pensions market
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- Scottish Provident – UK protection market
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- Ascentric/IFDL – Wrap platform
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